MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BFN3204 – CREDIT ANALYSIS AND LENDING MANAGEMENT

(All sections / Groups)

19th October 2016
9 a.m. – 11 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Questions paper consists of 1 page with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a) Explain how liquidity risk and default risk affect the banks' performances. (12 marks)

b) Explain each **TWO (2)** measurements taken by banks to manage their liquidity and default risks. (13 marks)

(Total: 25 marks)

QUESTION 2

"Banks can't say yes to all loan applications, otherwise they lose money, while borrowers who are unable to repay the debt go bankrupt," Tan Sri Azman said, when asked to comment on the impact of the new lending guideline on consumer loans.

(a) Discuss **TWO (2)** moral hazard issues concern in regards to the consumer loans. (10 marks)

(b) Briefly discuss **THREE (3)** approaches that taken by banks to manage each of the issues. (15 marks)

(Total: 25 marks)

QUESTION 3

Credit evaluation and approval is the process a business or an individual must go through to become eligible for a loan or to pay for goods and services over an extended period. Explain **FIVE (5)** important aspects that bank should consider in evaluating credit application of its customers.

(Total: 25 marks)

QUESTION 4

a) Discuss **THREE (3)** methods on how banks can optimize their debt recovery strategies. (15 marks)

b) What are the benefits of outsourcing to commercial collection agencies? Provide **TWO (2)** benefits of the outsourcing. (10 marks)

(Total: 25 marks)

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